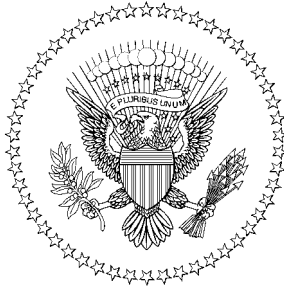


Economic Report of the President



Transmitted to the Congress
February 2003

together with
THE ANNUAL REPORT
of the
COUNCIL OF ECONOMIC ADVISERS

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**ECONOMIC REPORT
OF THE PRESIDENT**

ECONOMIC REPORT OF THE PRESIDENT

To the Congress of the United States:

The economy is recovering from the effects of the slowdown that began in the middle of 2000 and led to the subsequent recession. The American economy has been hit hard by the events of the past three years, most tragically by the effects of the terrorist attacks of September 11, 2001. Our economy and investor confidence were hurt when we learned that some corporate leaders were not playing by the rules. The combined impact of these events, along with the three-year decline in stock values that impacted business investment, slowed growth in 2002. Despite these challenges, the economy's underlying fundamentals remain solid—including low inflation, low interest rates, and strong productivity gains. Yet the pace of the expansion has not been satisfactory; there are still too many Americans looking for jobs. We will not be satisfied until every part of our economy is vigorous and every person who wants a job can find one.

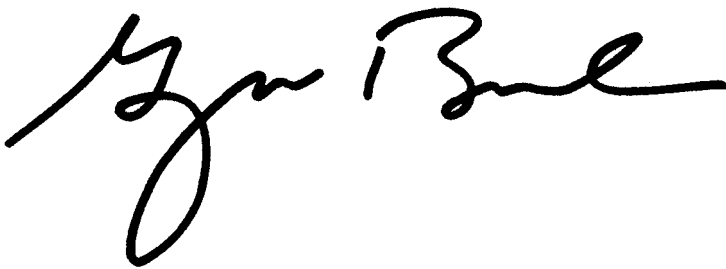
We are taking action to restore the robust growth that creates jobs. In January, I proposed a growth and jobs plan to add needed momentum to our economic recovery. We will accelerate the tax relief already approved by Congress and give it to Americans now, when it is most needed. Lowering tax rates and moving more Americans into the lowest tax bracket will help our economy grow and create jobs. Faster marriage tax relief and a faster increase in the child tax credit will especially help middle-class families, and should take effect now. We will take steps to encourage small business investment, helping them to expand and create jobs. We will end the unfair double taxation of corporate income received by individuals. By putting more money back in the hands of shareholders, strengthening investor

confidence in the market, and encouraging more investment, we will have more growth and job creation. These steps will allow Americans to keep more of their own money to spend, save, or invest. They will boost the economy, ensure that the recovery continues, and provide long-term economic benefits through higher productivity and higher incomes.

As our economy recovers, we also have an obligation to help Americans who have lost their jobs. That is why we extended unemployment payments for workers who lost their jobs and improved incentives for investment to create new jobs. I also proposed a bold new program of reemployment accounts to help workers searching for jobs.

Our commitment to a strong economy does not stop with these important steps. We will continue to strengthen investor confidence in the integrity of our markets. We will develop better ways to train workers for new jobs. We will make the Nation's regulations and tax code less onerous and more reflective of the demands of a dynamic economy, and expand opportunities for open trade and stronger growth in all nations, especially for emerging and developing economies.

Our Nation's economic progress comes from the innovation and hard work of Americans in a free market that creates opportunities no other system can offer. Government does not create wealth, but instead creates the economic environment in which risk takers and entrepreneurs create jobs. With the right policies focused on growth and jobs, strong economic fundamentals—and hard work—I am confident we will extend economic opportunity and prosperity to every corner of America.

A large, stylized handwritten signature in black ink, which appears to read "George W. Bush". The signature is fluid and cursive, with a large loop at the end.

THE WHITE HOUSE
FEBRUARY 2003

**THE ANNUAL REPORT
OF THE
COUNCIL OF ECONOMIC ADVISERS**

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., January 29, 2003.

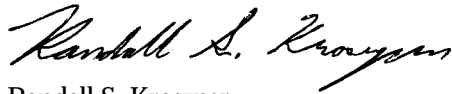
MR. PRESIDENT:

The Council of Economic Advisers herewith submits its 2003 Annual Report in accordance with the provisions of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

Sincerely,



Robert Glenn Hubbard
Chairman



Randall S. Kroszner
Member